

FISCAL NOTE

HB 262 - SB 389

April 7, 2003

SUMMARY OF BILL:

- Places pharmacy benefit managers (PBM) under the supervision of the Board of Pharmacy and relevant state pharmaceutical laws. A PBM is an entity operating as a liaison between insurance companies and pharmacies and is in charge of processing payments, negotiating prices, handling prior approvals and negotiating rebates with drug companies. A PBM practicing pharmacy would have to be licensed as a pharmacy to operate within the state.
- Requires a PBM to notify all pharmacies enrolled in a health care plan of the cancellation of coverage for any group in the plan. Notice must be thirty days prior to the effective date of the cancellation or if less than thirty days the manager would notify all pharmacies enrolled in the program as soon as practical.
- Requires pharmacy benefit managers to notify all persons enrolled in the health care plan of the cancellation and to make a reasonable effort to retrieve identification cards. Any person who uses the health care plan identification card after cancellation of the person's benefits would be liable to the pharmacy benefits manager for all money paid by the manager. Applies to any medical services rendered under TennCare. A violation of the law would be a Class C misdemeanor.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - To the extent that a health care plan cancels coverage for any group and must provide notification to pharmacies and plan members, there is estimated to be a potential increase in expenditures to the TennCare program, the state employees health insurance program and local government employee health insurance programs. The amount cannot be determined but is estimated to exceed \$100,000 when health care plans cancel coverage.

Estimate assumes:

- The additional requirement that a PBM mail notices to pharmacies and enrollees will increase TennCare expenditures when such notification is required. The cost of notification will depend upon the number of enrollees affected by any cancellation but is estimated to exceed \$100,000 if such cancellation of coverage occurs.
- Requiring such notification would have a similar impact on the state employee and local government health insurance plans.
- Requiring the Board of Pharmacy to license and regulate PBMs, as pharmacists will increase the Board's expenditures and license revenue. The amount of such increase is estimated to be not significant.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



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